

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, IN, US

SUBJ: RUPEES

FOLLOWING IS TRANSCRIPT OF REMARKS ON RUPEE SETTLEMENT
AT NOON PRESS BRIEFING DECEMBER 13.

QTE: SPOKESMAN: YOU SHOULD HAVE THE STATEMENT ISSUED
BY THE AMERICAN EMBASSY IN NEW THIS MORNING ON THE SETTLE-
MENT OF THE RUPEE QUESTION.

Q: DO YOU HAVE ANY COMMENT ON THAT?

A: BEYOND THE COMMENT?

Q: BEYOND THE STATEMENT IN NEW DELHI? I KNOW THAT IT
HAS TO LIE BEFORE THE TWO HOUSES OF CONGRESS.

A: YES, AND I EXPECT THAT WE'LL BE GETTING COPIES OF
THE FULL TEXT OF THE SETTLEMENT, TO LAY BEFORE THE
FOREIGN AFFAIRS COMMITTEES IN BOTH HOUSES, AS WELL AS THE
AGRICULTURE COMMITTEES FROM BOTH HOUSES.

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Q: SORRY, I THOUGHT YOU HAD FINISHED. HAD YOU FINISHED

ON THE RUPEES?

A: WELL, IT'S A VERY COMPLEX ARRANGEMENT, AS YOU KNOW, AND I DO HAVE SOME USEFUL BACKGROUND, IF YOU WANT ME TO GO INTO IT.

BUT IT WILL LAY BEFORE THE FOUR COMMITTEES FOR A PERIOD OF THIRTY TO SIXTY DAYS, AFTER WHICH TIME, THE INITIAL AGREEMENT WOULD BE SIGNED.

LET ME PUT THIS ON BACKGROUND BECAUSE THIS WAS HANDLED IN DELHI THIS MORNING, AND I GATHER THERE'S A STATEMENT ON THE WIRES FROM AMBASSADOR MOYNIHAN, WHO APPARENTLY HAS SOMETHING TO SAY ABOUT IT, SO I DON'T WANT TO CROSS HIS BOW ON THIS. ANYTHING I GIVE YOU IS FOR YOUR BACKGROUND.

Q: WHAT, JOHN?

A: WELL, VERY ROUGHLY WHAT'S INVOLVED HERE IS \$3.3 BILLION EQUIVALENT IN RUPEE REPAYABLE LOANS, WHICH WERE MADE IN THE '50S AND '60S. OF THIS \$3.3 BILLION EQUIVALENT, ABOUT \$900 MILLION EQUIVALENT IS IN CURRENT DEPOSIT IN INDIA CENTRAL BANK, IN OUR ACCOUNT.

THEN THERE IS THE REMAINING \$2.4 BILLION EQUIVALENT, RUPEE EQUIVALENT, WHICH REMAINS OUTSTANDING -- THAT IS OWED.

AND THE BASIC OUTLINES OF THE SETTLEMENT, THEN, IS THAT OF THIS \$3.3 BILLION EQUIVALENT, THE UNITED STATES GOVERNMENT WOULD RETAIN \$1.1 BILLION EQUIVALENT -- AND WE WOULD HOLD THAT IN INDIA'S CENTRAL BANK, WHICH WOULD BE FOR OUR USE FOR THE FULL RANGE OF PURPOSES AND PROGRAMS WHICH WE PREVIOUSLY FUNDED, BOTH IN INDIA AND NEPAL WITH RUPEES, I.E., OUR EXPENDITURES IN THOSE TWO COUNTRIES.

THIS SUM OF \$1.1 BILLION EQUIVALENT WILL BE SUFFICIENT TO MEET OUR EXPENSES--FOR THE NEXT TWENTY YEARS OR SO.

THE REMAINING \$2.2 BILLION EQUIVALENT TO INDIA FOR MUTUALLY UNCLASSIFIED

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AGREED ECONOMIC DEVELOPMENT PROJECTS--SUCH THINGS AS AGRICULTURAL PROJECTS, MEDICAL CARE, FAMILY PLANNING, RURLA ELECTRIFICATION, ETC.

FINALLY, THERE ARE TWO ADDITIONAL POINTS THAT FORM PART OF THE SETTLEMENT:

INDIA WILL PAY \$64 MILLION IN HARD CURRENCY OBLIGATIONS TO

US OVER THE NEXT TEN YEARS. ADDITIONALLY, THERE'S ANOTHER \$49 MILLION WHICH INDIA WILL BE GIVING US IN HARD CURRENCY EQUIVALENT, WHICH IS BROKEN DOWN INTO:

\$25 MILLION FOR UNITED STATES GOVERNMENT PURCHASES IN INDIA, AND

\$24 MILLION, WHICH INDIA WOULD FINANCE FOR ASSISTANCE TO NEPAL.

NOW THERE IS MORE TO IT, BUT IT GETS A LITTLE MORE TECHNICAL.

Q: \$24 MILLION FOR INDIA'S ASSISTANCE TO NEPAL? OR US ASSISTANCE?

A: FUNDING AMERICAN ASSISTANCE TO NEPAL OVER THE NEXT COUPLE OF YEARS.

Q: WHAT EFFECT DO YOU EXPECT THIS TO HAVE ON AN OVERALL RELATION BETWEEN THE UNITED STATES AND INDIA? DOES THIS SET A PRECEDENT FOR OTHER COUNTRIES SUCH AS PAKISTAN, BANGLADESH, ETC.

A: WELL, IT WOULD BE HARD FOR ME TO FORECAST WHETHER THIS IS A PRECEDENT OR NOT, BUT CERTAINLY AS YOU WELL KNOW, THIS HAS INCREASINGLY BEEN AN IRRITANT. THE WHOLE QUESTION OF AMERICAN HOLDINGS OF RUPEES, EXTENSIVE RUPEE FUNDS IN INDIA, HAS BEEN AN INCREASING IRRITANT AND WE WOULD HOPE THIS WOULD CONTRIBUTE TO THE BETTERMENT OF AMERICAN-INDIAN RELATIONS.

Q: WHO WAS IRRITATED, JOHN?

A: WELL, I'M TOLD THAT THE \$3.3 BILLIONS OF HOLDINGS WE HAVE REPRESENTED SOMETHING LIKE ONE-FIFTH OF ALL THE UNCLASSIFIED

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RUPEES IN CIRCULATION IN INDIA. IF YOU COULD PUT THE SHOE ON THE OTHER FOOT, AND HAVE ANOTHER COUNTRY HOLDING ONE FIFTH OF THE UNITED STATES' MONEY IN CIRCULATION, I THINK YOU WOULD SEE THE PROBLEM.

Q: JOHN, COMING BACK TO THE RUPEE QUESTION, COULD YOU TELL US AS TO WHAT PERCENTAGE OF THE RUPEE HOLDING HAS BEEN SETTLED UNDER THIS AGREEMENT?

A: PERCENTAGE? ALL OF IT, I THINK.

Q: ALL OF IT?

A: AS MUCH AS I UNDERSTAND, YES, THIS IS THE SETTLEMENT OF THE RUPEE QUESTION. NOW, THERE MAY BE ADDITIONAL PL-480 GENERATING MORE RUPEES, AND THAT SORT OF THING, BUT I DON'T KNOW ABOUT THAT.

WAIT A MINUTE, HOLD IT. I SEE WHAT YOU ARE DRIVING AT.
EXCUSE ME. THE RUPEE DEBT IS ENTIRELY SEPARATE--THIS IS
AGAIN ON BACKGROUND--FROM AN INDIAN DOLLAR DEBT TO THE
UNITED STATES OF ABOUT \$3 BILLION THAT WAS MADE IN HARD
CURRENCY DEVELOPMENT LOANS FROM AID AND FROM THE EX-IM
BANK. AND THE SETTLEMENT INITIALLED TODAY DEALS ONLY WITH
THE RUPEE ACCOUNTS. RUSH

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